

FISCAL NOTE

SB 2505 - HB 3079

February 21, 1998

SUMMARY OF BILL: Permits former employees of state government to elect to reestablish participation in the basic insurance plan. The former employee must have left in good standing and would be required to pay 105% of the monthly premium for this coverage. Currently, former employees can continue participation in the health insurance coverage for up to 18 months by paying a premium equal to 102% of the plan total. The continued participation must be uninterrupted.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$300,000

Assumes these individuals have exhausted their eligibility under the current federally mandated COBRA continuation provisions. The benefits cost for this class of individuals exceeds the average expenditures for all plan participants. For FY96-97, the per employee expenditure for COBRA participants was \$7,460 per year and the premium per employee was approximately \$3,600 per year. For each person permitted to enroll under provisions of the bill, the Plan would have to offset increased plan benefits costs exceeding revenues by approximately \$4,000 per year.

If the COBRA enrollment of 373 individuals for 1996 increased by 25%, an additional 93 individuals willing to pay 105% of the premium would have enrolled in the PPO plan. Using the \$4,000 per person expenditure estimate, PPO plan costs would have increased by \$372,000 (93 x \$4,000) beyond what might have been paid in premiums by these participants. The State pays 80% of the premium for employees participating in the PPO plan and would therefore absorb approximately \$300,000 (80% x \$372,000) of the total premium necessary to offset the increased claims expense.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director